

NEW APPLICATION

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

In the matter of:

Frederick Arias, an unmarried man,

Bradley J. Tennison and Deborah Tennison,
husband and wife,

The Joseph Project, an unincorporated
association

Respondents.

DOCKET NO. S-21078A-19-0143

**NOTICE OF OPPORTUNITY FOR
HEARING REGARDING PROPOSED
ORDER TO CEASE AND DESIST,
ORDER FOR RESTITUTION, ORDER
FOR ADMINISTRATIVE PENALTIES,
AND ORDER OF REVOCATION**

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that Respondents Frederick Arias, Bradley J. Tennison, and The Joseph Project have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") and Arizona Investment Management Act, A.R.S. § 44-3101 *et seq.* ("IM Act").

The Division also alleges that Frederick Arias and Bradley J. Tennison are persons controlling The Joseph Project within the meaning of A.R.S. § 44-1999(B), so that they are jointly and severally liable under A.R.S. § 44-1999(B) to the same extent as The Joseph Project for its violations of the antifraud provisions of the Securities Act.

I.

JURISDICTION

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution, the Securities Act, and the IM Act.

II.

RESPONDENTS

2. Frederick Arias ("Arias") was a resident of Arizona at all relevant times.

3. Bradley J. Tennison ("Tennison") was a resident of Arizona at all relevant times.

4. From approximately August 15, 2005, to April 26, 2018, Tennison was registered with the Commission as a salesman in association with Geneos Wealth Management, Inc. ("Geneos").

5. From approximately January 9, 2006, to April 26, 2018, Tennison was licensed with the Commission as an investment adviser representative.

6. From approximately August 15, 2005, to April 26, 2018, Tennison was registered with the Financial Industry Regulatory Authority ("FINRA") as a general securities representative in association with Geneos.

7. On or around April 25, 2018, Tennison was discharged from Geneos.

8. On July 2, 2018, Tennison entered into a Letter of Acceptance, Waiver, and Consent ("AWC") with FINRA.

9. Pursuant to the AWC, Tennison consented to the entry of findings that he refused to cooperate with FINRA's investigation in violation of FINRA Rules 8210 and 2010.

10. Pursuant to the AWC, Tennison was permanently barred in all capacities from associating with any FINRA member, effectively revoking his registration with FINRA as a securities broker.

11. The Joseph Project is an unincorporated association which operated within or from Arizona during all relevant times.

12. Arias has been the "first director" of The Joseph Project since December 23, 2015.

1 13. Arias has also been the treasurer of The Joseph Project since at least December 23,
2 2015.

3 14. Tennison was the managing associate and first director of The Joseph Project from at
4 least November 12, 2015, to December 23, 2015.

5 15. Tennison has been the general manager of The Joseph Project since at least December
6 23, 2015.

7 16. Arias, Tennison, and The Joseph Project may be referred to collectively as
8 "Respondents."

9 17. Deborah Tennison ("Respondent Spouse") was at all relevant times the spouse of
10 Respondent Tennison. Respondent Spouse is joined in this action under A.R.S. § 44-2031(C) and
11 A.R.S. § 44-3291(C) solely for purposes of determining the liability of the marital communities.

12 18. At all relevant times, Tennison was acting for his own benefit and for the benefit or in
13 furtherance of Tennison's and Respondent Spouses' marital communities.

14 **III.**

15 **FACTS**

16 19. From at least October 2015 through September 2016, Respondents engaged in a
17 fraudulent securities offering which raised at least \$9,450,000 from at least nine investors by
18 preying upon their trust, their faith, and their desire to help others.

19 20. Following a series of meetings during the summer of 2015, Tennison and Arias
20 created The Joseph Project, a pooled investment vehicle purported to generate returns while
21 benefitting religious or humanitarian projects.

22 21. In or around October 2015, Respondents began to solicit investments in The Joseph
23 Project, largely from Tennison's clients and former clients.

24 22. Respondents continued to offer investments in The Joseph Project through at least
25 September 2016.

1 23. From December 2015 through September 2016, Respondents sold investments in
2 The Joseph Project to at least nine investors ("Investors") in exchange for at least \$9,450,000.

3 24. The Investors were provided with little or no documentation regarding The Joseph
4 Project.

5 25. During the offering process, Respondents made the following false representations
6 to certain Investors:

- 7 a) The investment proceeds would be placed in a bank account and would
8 remain in that account;
- 9 b) The investment proceeds would be used only as collateral;
- 10 c) The investment was 100% safe;
- 11 d) Banks would use the investment proceeds for after-hours trading that would
12 generate returns;
- 13 e) The profits generated by the bank trading programs would be distributed to
14 the Investors in the form of a return given the term "enhancement";
- 15 f) The profits generated by the bank trading programs would also be used for
16 religious and humanitarian projects;
- 17 g) After one year, the Investors would receive their investment principal along
18 with any accrued "enhancement"; and
- 19 h) Tennison had invested \$1,000,000 of his own money in The Joseph Project
20 or a similar investment and had been receiving a 10% return monthly.

21 26. The Investors had no authority to manage or control the operations of The Joseph
22 Project, nor did they have any duties or responsibilities.

23 27. As the general manager of The Joseph Project, Tennison had such powers as the
24 appointment of officers, conducting board meetings, and entering into contracts on behalf of The
25 Joseph Project.

V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

37. Respondents Arias and The Joseph Project offered or sold securities in the form of investment contracts within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

38. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

(Fraud in Connection with the Offer or Sale of Securities)

39. In connection with the offer or sale of securities within or from Arizona, Respondents directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents' conduct includes, but is not limited to, the following:

a) Falsely representing to certain Investors that:

- (1) The investment proceeds would be placed in a bank account and would remain in that account;
- (2) The investment proceeds would be used only as collateral;
- (3) The investment was 100% safe;
- (4) Banks would use the investment proceeds for after-hours trading that would generate returns;
- (5) The profits generated by the bank trading programs would be distributed to the Investors in the form of a return given the term "enhancement";

- (6) The profits generated by the bank trading programs would also be used for religious and humanitarian projects;
- (7) After one year, the Investors would receive their investment principal along with any accrued "enhancement"; and
- (8) Tennison had invested \$1,000,000 of his own money in The Joseph Project or a similar investment and had been receiving a 10% return monthly.

b) Misappropriating most of the funds invested in The Joseph Project by the Investors.

40. This conduct violates A.R.S. § 44-1991.

VII.

CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999

41. Arias has been the "first director" of The Joseph Project since December 23, 2015.

42. Arias has also been the treasurer of The Joseph Project since at least December 23, 2015.

43. Since at least December 23, 2015, Arias has directly or indirectly controlled The Joseph Project within the meaning of A.R.S. § 44-1999. Therefore, Arias is jointly and severally liable to the same extent as The Joseph Project for its violations of A.R.S. § 44-1991 since at least December 23, 2015.

44. Tennison was the managing associate and first director of The Joseph Project from at least November 12, 2015, to December 23, 2015.

45. Tennison has been the general manager of The Joseph Project since at least December 23, 2015.

46. Since at least November 12, 2015, Tennison directly or indirectly controlled The Joseph Project within the meaning of A.R.S. § 44-1999. Therefore, Tennison is jointly and

severally liable to the same extent as The Joseph Project for its violations of A.R.S. § 44-1991 since at least November 12, 2015.

VIII.

REMEDIES PURSUANT TO A.R.S. § 44-1962

(Revocation of Registration of Salesman; Cease and Desist; Restitution; Penalties)

47. Tennison's conduct is grounds to revoke his registration as a securities salesman with the Commission pursuant to A.R.S. § 44-1962. Specifically, Tennison:

- a) Has violated the Securities Act within the meaning of A.R.S. § 44-1961(A)(2);
- b) Is subject to an order of an SRO revoking his membership or registration as a broker in securities for at least six months within the meaning of A.R.S. § 44-1962(A)(8); and
- c) Has engaged in dishonest or unethical practices in the securities industry within the meaning of A.R.S. § 44-1962(A)(10).

48. Tennison's conduct is grounds to order him to cease and desist from violating the Securities Act pursuant to A.R.S. § 44-1962(B)(2), to assess administrative penalties pursuant to A.R.S. § 44-1962(B)(1), and to assess restitution pursuant to A.R.S. § 44-1962(B)(3). Specifically, Tennison has engaged in dishonest or unethical practices in the securities industry within the meaning of A.R.S. § 44-1962(A)(10).

IX.

REMEDIES PURSUANT TO A.R.S. § 44-3201

(Revocation of Investment Adviser Representative License; Cease and Desist; Restitution)

49. Tennison's conduct is grounds to revoke his license as an investment adviser representative with the Commission pursuant to A.R.S. § 44-3201. Specifically, revocation of Tennison's license would be in the public interest, and Tennison:

- a) Is subject to an order of an SRO revoking his membership or registration as a broker in securities for at least six months within the meaning of A.R.S. § 44-3201(A)(10); and

b) Has engaged in dishonest or unethical practices in the securities industry within the meaning of A.R.S. § 44-3201(A)(13).

50. Tennison's conduct is grounds to order him to cease and desist from violating the Securities Act pursuant to A.R.S. § 44-3201(B)(2), to assess administrative penalties pursuant to A.R.S. § 44-3201(B)(1), and to assess restitution pursuant to A.R.S. § 44-3201(B)(3). Specifically, Tennison has engaged in dishonest or unethical practices in the securities industry within the meaning of A.R.S. § 44-3201(A)(13).

X.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. §§ 44-2032, 44-1962, and 44-3201;

2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032, 44-1962, and 44-3201;

3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order Respondents to pay the state of Arizona administrative penalties, pursuant to A.R.S. §§ 44-1962 and 44-3201;

5. Order the revocation of Tennison's registration as a securities salesman pursuant to A.R.S. § 44-1962;

6. Order the revocation of Tennison's license as an investment adviser representative pursuant to A.R.S. § 44-3201;

7. Order that Respondent and Respondent Spouse be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action.; and

8. Order any other relief that the Commission deems appropriate.

XI.**HEARING OPPORTUNITY**

Each Respondent including Respondent Spouse may request a hearing pursuant to A.R.S. § 44-1972, A.R.S. § 44-3212, and A.A.C. R14-4-306. **If a Respondent or a Respondent Spouse requests a hearing, the requesting Respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Kacie Cannon, ADA Coordinator, voice phone number (602) 542-3931, e-mail kcannon@azcc.gov. Requests should be made as early as possible to allow time to arrange the accommodation. Additional information about the administrative action procedure may be found at <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

XII.**ANSWER REQUIREMENT**

Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing, the requesting Respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix,

1 Arizona 85007, within 30 calendar days after the date of service of this Notice. Filing instructions
2 may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet
3 web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

4 Additionally, the answering Respondent must serve the Answer upon the Division.
5 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-
6 delivering a copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix,
7 Arizona, 85007, addressed to Chris Nichols.

8 The Answer shall contain an admission or denial of each allegation in this Notice and the
9 original signature of the answering Respondent or Respondent's attorney. A statement of a lack of
10 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not
11 denied shall be considered admitted.

12 When the answering Respondent intends in good faith to deny only a part or a qualification
13 of an allegation, the Respondent shall specify that part or qualification of the allegation and shall
14 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

15 The officer presiding over the hearing may grant relief from the requirement to file an
16 Answer for good cause shown.

17 Dated this 28th day of June, 2019.

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20 Wendy Coy
21 Assistant Director of Securities - Enforcement
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